

REMARKS**Claim Objections**

The Examiner objected to claims 2-13 for informalities. Specifically, each of these claims included the phrase "A ... according to claim X" in the preamble. Each of the claims 2-13 has been amended herein to change the preamble to "The ... of claim X" in order to cure these informalities. Additionally, claim 7 has been amended to replace the indefinite term "card-type" with the definitive term "card-shaped".

Claim Rejections under 35 U.S.C. §102

The Examiner rejected claims 1-5, 10, and 12-13 under 35 U.S.C. §102(e) as being anticipated by Mori et al. (U.S. Pat. No. 6,070,148). Applicant has herein cancelled claims 2 and 12. Applicant has herein amended independent claim 1 to clarify distinctions between the invention claimed herein and the device disclosed by Mori et al.

In the device disclosed by Mori et al., the crux of the invention is that a user carries a stand-alone IC card 100 that is read or written by a separate transaction device 200. The transaction device 200, which includes a card reader/writer 210, may be a telephone, an automated teller machine, computer terminal, or the like. In contrast, the invention claimed in amended claim 1 is a mobile communication terminal having a retractable recording medium *permanently coupled* to the housing of the mobile communication terminal. While this recording medium is capable of *protruding* from the housing of the mobile communication terminal and being read by an external device, *the recording medium is not removable* (i.e., it is not a separate "card"), at least, it is not removable by design.

Applicant respectfully submits that neither Mori et al., nor any other cited reference discloses the limitations of independent claim 1. Therefore, because claims 3-5, 7-10, 13, and 15-16 depend therefrom, Applicant respectfully submits that new and amended claims 1, 3-5, 7-10, 13, and 15-16 are now in condition for allowance.

Claim Rejections under 35 U.S.C. §103

The Examiner rejected claims 6, 7 and 14 under 35 U.S.C. §103(a) as being unpatentable over Mori et al. in view of Miyake (U.S. Pat. No. 6,029,892). Additionally, the Examiner rejected claims 11 under 35 U.S.C. §103(a) as being unpatentable over Mori et al. in view of Matsumoto et al. (U.S. Pat. No. 6,425,522). As noted above, claim 7 depends from claim 1 and is now believed to be in condition for allowance. Claims 6 and 11 are represented herein in independent form as claims 17 and 18, respectively.

The Examiner provides no reason for the rejection of claim 14. Consequently, the Applicant requests that the rejection of claim 14 be withdrawn. The Examiner cites multiple references and makes assertions regarding what would have been obvious to one skilled in the art with respect to represented claim 6 and 11, but provides no motivation for combining these references, as discussed below.

Regarding claim 17, the Examiner has disclosed no motivation to combine the magnetic recording medium and magnetic writer of Miyake with the device disclosed by Mori et al. There is no support in either Miyake or Mori et al, or anywhere else to which the Examiner has directed Applicant in the art of record, for the Examiner's position that it would have been obvious either to combine these teachings, or for the Examiner's position that it would have been obvious to *further* modify that combination by integrating it into a wireless communication terminal in order to arrive at the limitations of claim 17. In a similar manner, the Examiner has failed to provide any motivation whatsoever to combine the teachings of Mori et al. and Matsumoto et al. to arrive at the limitations of claim 18. As discussed in the following quote from In re Lee, such a failure to provide motivation to combine references is improper:

When patentability turns on the question of obviousness, the search for and analysis of the prior art includes evidence relevant to the finding of whether there is a teaching, motivation, or suggestion to select and combine the references relied on as evidence of obviousness. See, e.g., McGinley v. Franklin Sports, Inc., 262 F.3d 1339, 1351-52, 60 USPQ2d 1001, 1008 (Fed. Cir. 2001) ("the central question is whether there is reason to combine [the] references," a question of fact drawing on the Graham factors).

"The factual inquiry whether to combine references must be thorough and searching." Id. It must be based on objective evidence of record. This precedent has been reinforced in myriad decisions, and cannot be dispensed with. See, e.g., Brown & Williamson Tobacco Corp. v. Philip Morris Inc., 229 F.3d 1120, 1124-25, 56 USPQ2d 1456, 1459 (Fed. Cir. 2000) ("a showing of a suggestion, teaching, or motivation to combine the prior art references is an 'essential component of an obviousness holding'") (quoting C.R. Bard, Inc., v. M3 Systems, Inc., 157 F.3d 1340, 1352, 48 USPQ2d 1225, 1232 (Fed. Cir. 1998)); In re Dembiczkak, 175 F.3d 994, 999, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999) ("Our case law makes clear that the best defense against the subtle but powerful attraction of a hindsight-based obviousness analysis is rigorous application of the requirement for a showing of the teaching or motivation to combine prior art references."); In re Dance, 160 F.3d 1339, 1343, 48 USPQ2d 1635, 1637 (Fed. Cir. 1998) (there must be some motivation, suggestion, or teaching of the desirability of making the specific combination that was made by the applicant); In re Fine, 837 F.2d 1071, 1075, 5 USPQ2d 1596, 1600 (Fed. Cir. 1988) ("'teachings of references can be combined only if there is some suggestion or incentive to do so.'") (emphasis in original) (quoting ACS Hosp. Sys., Inc. v. Montefiore Hosp., 732 F.2d 1572, 1577, 221 USPQ 929, 933 (Fed. Cir. 1984)).

The need for specificity pervades this authority. See, e.g., In re Kotzab, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1317 (Fed. Cir. 2000) ("particular findings must be made as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed"); In re Rouffet, 149 F.3d 1350, 1359, 47 USPQ2d 1453, 1459 (Fed. Cir. 1998) ("even when the level of skill in the art is high, the Board must identify specifically the principle, known to one of ordinary skill, that suggests the claimed combination. In other words, the Board must explain the reasons one of ordinary skill in the art would have been motivated to select the references and to combine them to render the claimed invention obvious."); In re Fritch, 972 F.2d 1260, 1265, 23 USPQ2d 1780, 1783 (Fed. Cir. 1992) (the examiner can satisfy the burden of showing obviousness of the combination "only by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references").

With respect to Lee's application, neither the examiner nor the Board adequately supported the selection and combination of the Nortrup and Thunderchopper references to render obvious that which Lee described. The examiner's conclusory statements that "the demonstration

mode is just a programmable feature which can be used in many different device[s] for providing automatic introduction by adding the proper programming software" and that "another motivation would be that the automatic demonstration mode is user friendly and it functions as a tutorial" do not adequately address the issue of motivation to combine. This factual question of motivation is material to patentability, and could not be resolved on subjective belief and unknown authority. It is improper, in determining whether a person of ordinary skill would have been led to this combination of references, simply to "[use] that which the inventor taught against its teacher." W.L. Gore v. Garlock, Inc., 721 F.2d 1540, 1553, 220 USPQ 303, 312-13 (Fed. Cir. 1983). Thus the Board must not only assure that the requisite findings are made, based on evidence of record, but must also explain the reasoning by which the findings are deemed to support the agency's conclusion.

Deferential judicial review under the Administrative Procedure Act does not relieve the agency of its obligation to develop an evidentiary basis for its findings. To the contrary, the Administrative Procedure Act reinforces this obligation. See, e.g., Motor Vehicle Manufacturers Ass'n v. State Farm Mutual Automobile Ins. Co., 463 U.S. 29, 43 (1983) ("the agency must examine the relevant data and articulate a satisfactory explanation for its action including a 'rational connection between the facts found and the choice made.'") (quoting Burlington Truck Lines v. United States, 371 U.S. 156, 168 (1962)); Securities & Exchange Comm'n v. Chenery Corp., 318 U.S. 80, 94 (1943) ("The orderly function of the process of review requires that the grounds upon which the administrative agency acted are clearly disclosed and adequately sustained.").

In its decision on Lee's patent application, the Board rejected the need for "any specific hint or suggestion in a particular reference" to support the combination of the Nortrup and Thunderchopper references. Omission of a relevant factor required by precedent is both legal error and arbitrary agency action. See Motor Vehicle Manufacturers, 463 U.S. at 43 ("an agency rule would be arbitrary and capricious if the agency . . . entirely failed to consider an important aspect of the problem"); Mullins v. Department of Energy, 50 F.3d 990, 992 (Fed. Cir. 1995) ("It is well established that agencies have a duty to provide reviewing courts with a sufficient explanation for their decisions so that those decisions may be judged against the relevant statutory standards, and that failure to provide such an explanation is grounds for striking down the action."). As discussed in National Labor Relations Bd. v. Ashkenazy Property Mgt. Corp., 817 F.2d 74, 75 (9th Cir. 1987), an agency is "not free to refuse to follow circuit precedent."

The foundation of the principle of judicial deference to the rulings of agency tribunals is that the tribunal has specialized knowledge and expertise, such that when reasoned findings are made, a reviewing court may confidently defer to the agency's application of its knowledge in its area of expertise. Reasoned findings are critical to the performance of agency functions and judicial reliance on agency competence. See Baltimore and Ohio R. R. Co. v. Aberdeen & Rockfish R. R. Co., 393 U.S. 87, 91-92 (1968) (absent reasoned findings based on substantial evidence effective review would become lost "in the haze of so-called expertise"). The "common knowledge and common sense" on which the Board relied in rejecting Lee's application are not the specialized knowledge and expertise contemplated by the Administrative Procedure Act. Conclusory statements such as those here provided do not fulfill the agency's obligation. This court explained in Zurko, 258 F.3d at 1385, 59 USPQ2d at 1697, that "deficiencies of the cited references cannot be remedied by the Board's general conclusions about what is 'basic knowledge' or 'common sense.' " The Board's findings must extend to all material facts and must be documented on the record, lest the "haze of so-called expertise" acquire insulation from accountability. "Common knowledge and common sense," even if assumed to derive from the agency's expertise, do not substitute for authority when the law requires authority. See Allentown Mack, 522 U.S. at 376 ("Because reasoned decisionmaking demands it, and because the systemic consequences of any other approach are unacceptable, the Board must be required to apply in fact the clearly understood legal standards that it enunciates in principle . . .")

The case on which the Board relies for its departure from precedent, In re Bozek, 416 F.2d 1385, 163 USPQ 545 (CCPA 1969), indeed mentions "common knowledge and common sense," the CCPA stating that the phrase was used by the Solicitor to support the Board's conclusion of obviousness based on evidence in the prior art. Bozek did not hold that common knowledge and common sense are a substitute for evidence, but only that they may be applied to analysis of the evidence. Bozek did not hold that objective analysis, proper authority, and reasoned findings can be omitted from Board decisions. Nor does Bozek, after thirty-two years of isolation, outweigh the dozens of rulings of the Federal Circuit and the Court of Customs and Patent Appeals that determination of patentability must be based on evidence. This court has remarked, in Smiths Industries Medical Systems, Inc. v. Vital Signs, Inc., 183 F.3d 1347, 1356, 51 USPQ2d 1415, 1421 (Fed. Cir. 1999), that Bozek's reference to common knowledge "does not in and of itself make it so" absent evidence of such knowledge.

In re Lee, 61 U. S. P. Q. 2d 1430, 1433-1435, (Fed. Cir. Jan. 18, 2002).

The Examiner has failed to establish a *prima facie* case of obviousness under 35 U.S.C. § 103. "If the examiner does not produce a *prima facie* case, the applicant is under no obligation to submit evidence of nonobviousness. If, however, the examiner does produce a *prima facie* case, the burden of coming forward with evidence or arguments shifts to the applicant who may submit additional evidence of nonobviousness, such as comparative test data showing that the claimed invention possesses improved properties not expected by the prior art." M.P.E.P. § 2142.

To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. *The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure.* In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). See generally M.P.E.P. Sections 2142 and 2143.

The initial burden is on the examiner to provide some suggestion of the desirability of doing what the inventor has done. "To support the conclusion that the claimed invention is directed to obvious subject matter, either the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references." Ex parte Clapp, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985).

Further Action Requested

As Applicant has indicated above, no cited reference discloses the limitations of independent claims 1, 14, 17 or 18 as amended herein, nor does any cited reference provide motivation for combining cited references. Therefore, it would not have been obvious to

modify the independently claimed invention to meet the further limitations of herein amended and new dependent claims 3-5, 7-10, 13, and 15-16. Applicant respectfully submits that all pending claims are now in condition for allowance, and such allowance is respectfully requested.

Respectfully submitted,



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